

Message Text

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ACTION AF-06

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AMCONSUL CAPE TOWN
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AMCONSUL DURBAN
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AMCONSUL JOHANNESBURG
AMEMBASSY LISBON
AMEMBASSY LONDON
AMEMBASSY LUSAKA
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AMEMBASSY MAPUTO
AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMEMBASSY PRETORIA
AMEMBASSY TOKYO
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C O N F I D E N T I A L SECTION 1 OF 2 KINSHASA 2185

FOR EMBASSY CAPE TOWN

DEPT PASS EXIM, COMMERCE

E.O. 11652: GDS

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TAGS: EALR, ECON, ELTN, PFOR, CG, RH, MH, MI, ZA, SF

SUBJECT: ZAIRE AND RHODESIA: WHAT COST DISTURBANCES?

REF: MAPUTO 216, 75 LUBUMBASHI A-65 (NOTAL), 74 LUBUMBASHI A-60
(NOTAL)

1. SUMMARY: WHILE THE RECENT CLOSING OF THE MOZAMBIQUE-RHODESIA BORDER WILL NOT IMMEDIATELY AFFECT THE ECONOMY OF ZAIRE'S SHABA (EX-KATANGA) REGION, SIGNIFICANT PROBLEMS MAY DEVELOP AS ZAIRE FACES ITS ANNUAL TRANSPORT DIFFICULTIES DUE TO LOW RIVER LEVELS IN THE DRY SEASON, WHICH BEGINS IN JUNE. AT THAT POINT A SIGNIFICANT PORTION OF ZAIRE'S COPPER WILL EITHER BE STOCKED OR SHIPPED VIA SOUTH AFRICA. OF MUCH GRAVER CONCERN, HOWEVER, WOULD BE ANY INTERRUPTION OF TRADE WITH RHODESIA AND POINTS SOUTH. THE ECONOMY OF ZAIRE'S SHABA REGION, WHICH PRODUCES THE OVERWHELMING MAJORITY OF ITS MINERALS AND THUS FOREIGN EXCHANGE, IS CLOSELY LINKED WITH RHODESIA AND SOUTH AFRICA. INTERRUPTION OF TRADE WITH RHODESIA AND SOUTH AFRICA COULD LEAD TO MASSIVE INDUSTRIAL SHUTDOWNS AND FOOD SHORTAGES WITH LESS THAN SIX WEEKS' DELAY. ZAIRE'S CURRENT ATTEMPTS TO RETRIEVE ITS ALREADY BATTERED ECONOMY WOULD BE SEVERELY IMPEDED BY SUCH ACTIONS. THESE CONSIDERATIONS WILL PROBABLY AFFECT ZAIRE'S PRIVATE ATTITUDE TOWARD RHODESIA AND SOUTH AFRICA. ZAIRE WILL LIKELY PLACE HEAVY EMPHASIS ON DEVELOPMENTS IN RHODESIA, SEEK TO AVOID TRANSPORT INTERRUPTIONS, AND MAINTAIN SOME UNDERSTANDING WITH SOUTH AFRICA, WHILE CALLING PUBLICLY FOR A RAPID SHIFT TO MAJORITY RULE IN RHODESIA. END SUMMARY.

2. ZAIRE'S MINERAL-RICH SHABA PROVINCE HAS FOUR OUTLETS TO THE SEA: THE BENGUELA RAILROAD WHICH TRANSITS ANGOLA, THE BEIRA ROUTE WHICH TRANSITS RHODESIA AND MOZAMBIQUE, AND TWO RAIL-WATER-RAIL ROUTES -- THE "VOIE NATIONALE" WHICH ENDS UP IN MATADI, ZAIRE, AND A ROUTE WHICH CROSSES LAKE TANGANYIKA AND TERMINATES IN DAR-ES-SALAAM. THREE OF THESE ROUTES, HOWEVER, HAVE SERIOUS PROBLEMS. THE BENGUELA ROUTE HAS BEEN DAMAGED AND IS CLOSED. THE DAR-ES-SALAAM ROUTE CANNOT HANDLE CURRENT TRAFFIC LOADS. AND NOW THE BEIRA ROUTE HAS BEEN CUT BY MOZAMBIQUE'S RECENT UNILATERAL DECISION TO STOP ALL COMMERCE WITH OR PASSING THROUGH RHODESIA. WHILE TRAFFIC TO BEIRA CAN THEORETICALLY BE REROUTED THE CAPACITY OF THE ALTERNATIVE ROUTES MAY NOT ALLOW FOR COMPLETE SUBSTITUTION. THERE ARE TWO ALTERNATIVES: CARGO IN-

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TENDED FOR MOZAMBIQUE'S PORTS CAN BE TRUCKED FROM LUSAKA TO THE SALIMA RAILHEAD IN MALAWI FOR TRANSSHIPMENT TO MOZAMBIQUE, OR GOODS MAY BE REDIRECTED VIA RHODESIA TO SOUTH AFRICAN PORTS, PRIMARILY PORT ELIZABETH AND DURBAN.

3. ALTHOUGH ZAIRE HAD INTENDED BEIRA TO PLAY AN INCREASING ROLE IN THE COUNTRY'S COMPLICATED TRANSPORTATION PICTURE DUE TO THE DEMISE OF THE BENGUELA ROUTE, CLOSURE OF THE RHODESIA LINK TO

MOZAMBIQUE WILL NOT IMMEDIATELY POSE SERIOUS DIFFICULTIES FOR THE OVERALL ZAIRIAN ECONOMY⁹ HISTORICALLY, COPPER EXPORTS THROUGH BEIRA HAVE NOT PLAYED A SIGNIFICANT ROLE IN THE OVERALL TRANSPORT PICTURE. IN 1973 ZAIRE EXPORTED ONLY 30,000 TONS OF COPPER THROUGH BEIRA; IN 1974 THE WORLD BANK ESTIMATED THE MAXIMUM CAPACITY FOR ZAIRIAN COPPER ON THE RAIL LINK THROUGH RHODESIA AS 150,000 TONS, WHILE THE ACTUAL EXPORT LEVEL REMAINED APPROXIMATELY THE SAME AS DURING 1973. GECAMINES HAD ORIGINALLY SCHEDULED 51,000 MT OF COPPER FOR BEIRA DURING 1975, BUT INCREASED THE FIGURE TO THE 70,000-100,000 MT RANGE FOLLOWING THE CLOSURE OF THE BENGUELA RAILROAD. ON THE IMPORT SIDE, FIGURES ARE MORE DIFFICULT TO OBTAIN SINCE THERE WAS VERY LITTLE TRAFFIC BEFORE BENGUELA CLOSED. THE RECENT MOTHBALLING OF THE SMTF COPPER PROJECT HAD DECREASED THE PROJECTED 1976 LEVEL; SMTF IMPORTED APPROXIMATELY 60,000 TONS VIA BEIRA DURING 1975. DIRECT IMPORTS FROM MOZAMBIQUE ITSELF ARE INSIGNIFICANT (1974 \$2.4 MILLION; FIRST HALF OF 1975 \$1.2 MILLION) SO PRESUMABLY THE SOUTH AFRICAN PORTS COULD REPLACE BEIRA FOR ZAIRE-BOUND SHIPMENTS IF THE SOUTH AFRICAN AND RHODESIAN RAIL SYSTEMS CAN MUSTER SUFFICIENT CAPACITY.

4. DESPITE THE POSSIBILITIES OF REROUTING THE BEIRA TRAFFIC, THERE WILL BE SOME COSTS. THE SINGLE COMPANY HARDEST HIT BY BOTH THE BENGUELA AND MOZAMBIQUE CLOSURE IS SODIMIZA, A JAPANESE-OWNED COMPANY WHICH EXPORTS CONCENTRATE (36 PER CENT COPPER) FOR REFINING IN JAPAN. CONCENTRATE IS POROUS AND MUST BE COVERED DURING SHIPMENT AND STORAGE AS MOISTURE DRASTICALLY INCREASES THE WEIGHT OF THE PRODUCT. THE CLOSURE OF THE BENGUELA RAILROAD DEPRIVED SODIMIZA BOTH OF ITS STORAGE FACILITIES IN LOBITO AND A LARGE INVENTORY OF ITS COVERED RAIL CARS. NEVERTHELESS, IT HAD FINALLY MANAGED TO REDIRECT ITS EXPORTS TO BEIRA AND CURRENTLY HAS 20,000 MT (US\$10 MILLION) OF CONCENTRATE SITTING IN MOZAMBIQUE WHILE 10,000 MT REMAINS ON RHODESIAN TURF.

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SODIMIZA IS CONSIDERING BOTH THE MALAWI AND SOUTH AFRICAN OPTIONS. SODIMIZA HAS REQUESTED THAT TWO LARGE MINING BINS RECENTLY ARRIVED IN BEIRA BE SENT TO SALIMA, WHERE TRUCKS WILL CARRY THEM TO LUSAKA FOR FORWARDING TO ZAIRE. SODIMIZA'S OPPOSITION TO SOUTH AFRICA STEMS FROM THE ADDITIONAL TIME REQUIRED FOR THE TRIP (WHICH DECREASES, DUE TO SODIMIZA'S SPECIAL ROLLING STOCK REQUIREMENTS, THE CARRYING CAPACITY); FROM ZAIRE TO THE SOUTH AFRICAN PORTS WILL REQUIRE 45 DAYS, WHILE THE TRIP TO BEIRA TOOK ONLY 32 DAYS. BOTH OF WHICH ARE SIGNIFICANTLY ABOVE THE TEN DAYS WHICH THE RUN TO LOBITO REQUIRED VIA THE BENGUELA RAILROAD. SODIMIZA HAD HOPED TO EXPORT AROUND 7,000 TONS OF CONCENTRATE PER MONTH, ALL VIA BEIRA.

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INFO AMEMBASSY BLANTYRE

AMEMBASSY BRUSSELS

AMCONSUL CAPE TOWN

AMEMBASSY DAR

AMCONSUL DURBAN

AMEMBASSY GABARONE

AMCONSUL JOHANNESBURG

AMEMBASSY LISBON

AMEMBASSY LONDON

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C O N F I D E N T I A L SECTION 2 OF 2 KINSHASA 2185

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5. THE ONLY OTHER COPPER PRODUCER IN ZAIRE IS GECAMINES, WHICH

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IS ZAIRES STATE-OWNED MINERALS PRODUCTION COMPANY. GECAMINES HAS RECENTLY BEEN EXPORTING 10-15 PER CENT OF ITS COPPER PRODUCTION (2800-5700 MT PER MONTH) VIA BEIRA, ACCORDING TO ONE REPORT. GECAMINES CURRENTLY DEPENDS HEAVILY ON THE "VOIE NATIONALE", AS THIS IS HIGH WATER SEASON IN THE KASAI RIVER, WHICH IS PART OF THE ROUTE. THE BENGUELA RAILROAD WAS NEVER ZAIRES "MOST IMPORTANT ROUTE FOR COPPER EXPORTS" AS MANY OBSERVERS BELIEVE (16,000 MT OF COBALT AND 120,000 TONS OF GECAMINES COPPER IN 1973 OUT OF A TOTAL OF 461,000 MT OF COPPER PRODUCED), ALTHOUGH IT DID PLAY A MAJOR ROLE IN IMPORTS FOR SHABA REGION. THE ANGOLAN ROUTE WAS USED MOST HEAVILY DURING THE DRY SEASON (JUNE-SEPTEMBER) WHEN LOADED BARGES CAN ONLY OCCASIONALLY COME DOWN THE KASAI INTO THE ZAIRES RIVER. THE TRANSPORT CRUNCH WILL COME WHEN THE WATER DRIES UP LATER THIS YEAR AND ZAIRES COPPER FLOW ON THE "VOIE NATIONALE" WILL HAVE TO BE DIVERTED. AT THAT POINT--UNLESS THE BENGUELA IS REOPENED--THE CHOICE WILL PROBABLY BE MADE TO SHIP THROUGH RHODESIA TO THE SOUTH AFRICAN PORTS, AS THE SALIMA CONNECTION WILL BE QUITE TENUOUS AND UNDOUBTEDLY OVER-LOADED. WHETHER THE RAIL LINK TO SOUTH AFRICA CAN CARRY THE NECESSARY CAPACITY AND WHETHER RAIL SERVICE WITH SOUTH AFRICA WILL REMAIN UNINTERRUPTED ARE OF CRUCIAL IMPORTANCE FOR ZAIRES ATTEMPTS TO EXTRICATE ITSELF DURING 1976 FROM ITS ABYSMAL ECONOMIC CONDITION.

6. WHILE ZAIRES WILL NOT BE SERIOUSLY AFFECTED BY MOZAMBIQUE'S CLOSING OF THE RHODESIAN BORDER, ANY DISTURBANCE OF ZAIRES TRADE WITH RHODESIA AND SOUTH AFRICA, BE THEY DUE TO GUERRILLA-INDUCED INTERRUPTIONS OF SERVICE OR TO A DEFINITIVE ZAMBIAN-RHODESIAN BORDER CLOSING, WILL QUICKLY CAUSE DIRE CONSEQUENCES FOR THE ZAIRIAN ECONOMY. DURING 1974 ZAIRES IMPORTED \$26.5 MILLION WORTH OF GOODS FROM SOUTHERN RHODESIA, OF WHICH \$6.4 MILLION WERE CEREALS, MAINLY CORN, \$9.0 MILLION WAS MEAT, AND \$5.2 MILLION PURCHASED 129,525 MT OF METALLURGICAL COAL FROM THE WANKE FIELDS. DURING THE FIRST HALF OF 1975, ZAIRIAN IMPORTS FROM RHODESIA TOTALLED \$7.6 MILLION, OF WHICH \$4.4 MILLION PURCHASED CEREAL AND \$1.0 MILLION BOUGHT 19,637 MT OF COAL. THE DECREASE IN IMPORTS IS PARTIALLY DUE TO ZAIRES FOREIGN EXCHANGE DIFFICULTIES BUT ALSO DUE TO GECAMINES' DECISION TO RUN DOWN STOCKS OF COAL. GECAMINES NOW MAINTAINS ABOUT FIVE WEEKS SUPPLY OF THE WANKE COAL WHICH IS CRUCIAL FOR THE REFINING PROCESS. THERE IS NO REASONABLE SUBSTITUTE FOR THE RHODESIAN COAL AS
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THE SHIPPING COSTS FOR COAL BOUGHT FROM OVERSEAS WOULD DESTROY THE PROFITABILITY OF THE INDUSTRY. RHODESIAN MAIZE IMPORTS FOR 1976 ARE PROJECTED AT 90,000 MT. THESE CEREAL IMPORTS, WHICH COULD WITH TIME BE OBTAINED ELSEWHERE, ARE VITALLY IMPORTANT FOR FEEDING THE URBAN POPULATION OF SHABA REGION AND INTERRUPTION OF SUPPLIES COULD RAPIDLY CAUSE FOOD SHORTAGES.

7. ZAIRE'S TRADE WITH SOUTH AFRICA IS EQUALLY IMPORTANT NOT ONLY FOR ITS OVERALL SIZE (\$30 MILLION, SEMI-OFFICIALLY IN 1974 AND \$13 MILLION DURING THE FIRST HALF OF 1975) BUT DUE TO THE CONCENTRATION OF FOODSTUFFS AS A MAJOR COMPONENT. MOST IMPORTANTLY, THE MAJORITY OF PETROLEUM SUPPLIES FOR SHABA REGION DURING THE PAST SIX MONTHS HAVE BEEN SUPPLIED OUT OF SOUTH AFRICA, BEING TRANSPORTED BY RAIL. SHABA'S WHEAT IS ALSO SUPPLIED FROM SOUTH AFRICA. IF THERE WERE TO BE AN INTERRUPTION IN THE TRANSPORT BETWEEN SOUTH AFRICA AND THE SHABA REGION, THE EFFECTS WOULD BE FELT RAPIDLY IN ZAIRE SINCE THE SHABA AREA IS NOW RUNNING ON VERY THIN MARGINS.

8. IF THERE IS ANY SIGNIFICANT INTERRUPTION OF TRANSPORT BETWEEN ZAIRE, RHODESIA, AND SOUTH AFRICA WHILE THE MOZAMBIQUE-RHODESIA BORDER REMAINS CLOSED AND THE BENGUELA RAILROAD REMAINS OUT OF COMMISSION, ZAIRE'S SHABA REGION WOULD FEEL SEVERE REPERCUSSIONS WITHIN FOUR TO FIVE WEEKS. THERE WOULD BE VERY LITTLE WAY FOR ZAIRE TO AMELIORATE THE SITUATION IN SHABA. IF THERE SHOULD BE SUCH DEVELOPMENTS, ZAIRE'S EFFORTS TO STABILIZE ITS ECONOMY WOULD BE CRITICALLY UNDERMINED.

9. ZAIRE HAS A STRONG ECONOMIC INTEREST IN THE DEVELOPMENTS IN RHODESIA AND IN ENCOURAGING A PEACEFUL (AT LEAST AS FAR AS THE RAILWAY IS CONCERNED) DENOUEMENT. WE CAN EXPECT THIS CONSIDERATION TO AFFECT ZAIRE'S PRIVATE ATTITUDE TOWARD ASSISTANCE TO LIBERATION GROUPS. HOWEVER, FOR POLITICAL REASONS IT WILL CONTINUE TO PUSH PUBLICLY FOR A RAPID SHIFT TO MAJORITY RULE IN RHODESIA. THE CLOSURE OF THE MOZAMBIQUE-RHODESIA BORDER HAS DECREASED ZAIRE'S FLEXIBILITY AND THEREBY REDUCED MOBUTU'S FREEDOM OF ACTION AND POWER TO AFFECT CHANGE IN SOUTHERN AFRICA. BIGGEST GAINERS ARE RHODESIA AND SOUTH AFRICA: THE SALISBURY AND PRETORIA REGIMES WILL BE ABLE TO PRESSURE ZAIRE ALL THE MORE EFFECTIVELY SINCE THEY WILL NOW BE ABLE TO REGULATE OR STOP TWO-WAY TRAFFIC IN GOODS RATHER THAN THE FORMER PRE-CONFIDENTIAL
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DOMINATELY NORTHBOUND FLOW. THE LUANDA REGIME ALSO HAS INCREASED ITS BARGAINING POSITION VIS-A-VIS MOBUTU; RESTORATION OF SERVICE ON THE BENGUELA RAILROAD BECOMES MORE CRITICAL AND LUANDA'S ABILITY TO DELAY REOPENING -- AND THEREAFTER REGULATE THE TRAFFIC FLOW -- WILL IMPINGE UPON MOBUTU'S FREEDOM TO ACT IN SOUTHERN AFRICA. ZAIRE WILL FIND IT ESSENTIAL TO FOLLOW CLOSELY DEVELOPMENTS IN THE RHODESIAN THEATER AND KEEP A SHARP EYE ON ITS OWN VITAL INTERESTS IN FORMULATING ITS POLICIES AND ACTIONS ON SOUTHERN AFRICAN ISSUES, WHILE RESPONDING TO PRESSURE FROM BOTH MODERATE AND RADICAL PLAYERS IN THE SCENARIO.
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